

Message Text

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73

ACTION EUR-12

INFO OCT-01 ISO-00 EB-06 COME-00 DOTE-00 L-02 H-02 CIAE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4921

INFO AMCONSUL MONTREAL

AMCONSUL TORONTO

UNCLAS OTTAWA 3626

E.O. 11652: N/A

TAGS: ETRD, EIND, CA, US

SUBJ: AUTOMOTIVE PACT

1. ON COMMONS QUESTION PERIOD (NOV 4) MP GEORGE HEES ASKED INDUSTRY, TRADE AND COMMERCE MINISTER GILLESPIE WHETHER HE WAS ENGAGED IN DISCUSSIONS WITH USG FOR READJUSTMENT OF THE AUTOMOTIVE AGREEMENT IN VIEW OF FACT THAT CANADIAN DEFICIT WAS NEARLY \$750 MILLION IN FIRST NINE MONTHS OF 1974 AND WOULD GO TO BETWEEN ONE AND TWO BILLION DOLLARS FOR THE FULL YEAR.

2. GILLESPIE RESPONDED THAT AUTO PACT HAS BEEN MUTUALLY BENEFICIAL AND PARTICULARLY BENEFICIAL TO CANADA. HE NOTED THAT IN CONTRAST TO U.S. IN 1974, SALES AND EMPLOYMENT IN THE INDUSTRY IN CANADA HAVE HELD UP AND THAT HE HAS HAD CONTINUING DISCUSSIONS WITH THE INDUSTRY TO ENSURE CANADIAN INTEREST WILL BE FULLY SECURED.

3. HEES QUESTIONED HOW A DEFICIT OF \$1 BILLION A YEAR COULD BE BENEFICIAL TO CANADA AND ASKED WHY CANADA CONTINUES TO AGREE TO A DIFFERENTIAL OF MORE
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THAN 7 PERCENT IN RESPECT OF U.S. AND CANADIAN

PRICES FOR THE SAME MODEL CARS. HE CLAIMED THAT IT WAS STATED THAT THE DIFFERENTIAL WOULD BE NON-EXISTENT FIVE YEARS AFTER THE PACT WENT INTO EFFECT IN 1965.

4. GILLESPIE RESPONDED THAT IF HEES WOULD LOOK AT THE DIFFERENTIAL WHEN HE (HEES) WAS TRADE MINISTER HE WOULD FIND THAT IT WAS CLOSE TO 20 PERCENT AND THAT OVER THE YEARS THERE HAS BEEN A STEADY NARROWING OF THE DIFFERENTIAL. "AS A RESULT OF NEGOTIATIONS WITH THE AUTOMOBILE MANUFACTURERS IN CANADA THERE HAS BEEN A CONTINUAL NARROWING OF THE GAP IN THE 1974 AND 1975 MODEL YEARS."

5. MINISTER GILLESPIE, IN AN ADDRESS TO THE CANADIAN EXPORT ASSOCIATION ON OCT 29 (SEE OTTAWA A-556 OF NOV 4), STATED, "I AM CONCERNED...THAT THE CANADIAN AUTOMOTIVE COMPANIES SHOULD INVEST MORE IN CANADA. I TOLD THE PRESIDENTS OF THE CANADIAN COMPANIES THIS SUMMER THAT THEY SHOULD INVEST IN CANADA ... INVEST AT A RATE THAT WILL ENSURE CANADIAN PRODUCTION WILL GROW TO MATCH THE INCREASE IN SALES OPPORTUNITIES IN CANADA, THE UNITED STATES AND IN OTHERCOUNTRIES". PORTER

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